

INVESTMENT ADVISER

CAPITAL GROWTH MANAGEMENT
LIMITED PARTNERSHIP
Boston, Massachusetts 02110

TRANSFER AND DIVIDEND PAYING AGENT AND CUSTODIAN OF ASSETS

STATE STREET BANK AND TRUST COMPANY
Boston, Massachusetts 02111

SHAREHOLDER SERVICING AGENT FOR STATE STREET BANK AND TRUST COMPANY

BOSTON FINANCIAL DATA SERVICES, INC.
P.O. Box 8511
Boston, Massachusetts 02266-8511

CGM Focus Fund

42nd Quarterly Report
March 31, 2008

A No-Load Fund

This report has been prepared for the shareholders of the Fund and is not authorized for distribution to current or prospective investors in the Fund unless it is accompanied or preceded by a prospectus.

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Investment Adviser
Capital Growth Management
Limited Partnership

To Our Shareholders:

CGM Focus Fund returned -7.8% during the first quarter of 2008 compared to the Standard and Poor's 500 Index which declined -9.4% over the same period.

The specter of economic slowdown loomed on the horizon for much of 2007 although the music didn't finally stop until December of last year. Fourth quarter 2007 real Gross Domestic Product increased a mere 0.6% (annualized), a drastic reduction from the previous quarter's 4.9% annualized rate. The housing sector continued to deteriorate throughout late 2007 and into the new year and the subprime financial morass turns out to be even more pervasive than expected. The stock market weakened in January, attempted a rally in February and sold off again in early March. Consumer confidence plummeted from an index reading of 76.4 in February to 64.5 in March. The slowdown has arrived, though, fortunately, segments of the economy remain strong and there are no signs of overall economic collapse. Whether we are headed for recession—defined by many as two consecutive quarters of negative growth—remains the topic of widespread debate.

Since last summer, the Federal Reserve Board has been working overtime in an effort to manage the unfolding credit crisis. The Fed's first attempt to revitalize credit markets in August 2007 was met with enthusiasm by equity markets around the world, albeit temporarily. Thereafter, the Fed introduced additional steps toward easing—almost monthly—to assure credit markets help was available as needed. In January, the U.S. Government joined the effort by announcing a tax rebate of some \$150 billion to as many as 130 million people. But shortly thereafter, rumors began to surface that Bear Stearns, the fifth largest investment bank in the U.S., was up to its ears in worthless mortgage paper. Investors began to pull their accounts setting off a run on assets. In an unprecedented move, the Fed arranged an over-the-weekend acquisition of Bear Stearns by JP Morgan Chase for \$2 per share (subsequently upped to \$10 per share), a fire sale in light of the previous Friday's close of \$30 per share. Historically, this kind of emergency action has been reserved for commercial banks, not investment banking firms. Considering however, the Fed's assumption of \$29 billion in mortgage-backed paper to close the deal (either by loan or investment), one would assume the top U.S. financial powers—that-be decided Bear Stearns was either just too

big or too interconnected with other institutions to be allowed to fail. The next day, the busy Fed also reduced the Federal Funds rate from 3% to 2.25% stirring a 4.2% one-day rally in the equity market.

The U.S. dollar has been losing ground against foreign currencies for the past four years and this past year, against the Euro in particular where it is now trading at an all-time low. Lower interest rates stimulate our economy, but a side effect is a less competitive dollar in the world markets. That said, U.S. manufacturers with extensive operations in other parts of the world benefit when they convert stronger currencies back into dollars. Still, foreign goods cost more, and with the price of food and fuel on the rise and no let-up in sight, climbing inflation is a potential worry down the road. But for now, the core inflation rate (excluding food and oil) remains a moderate 2% for the year to year rate ending in February.

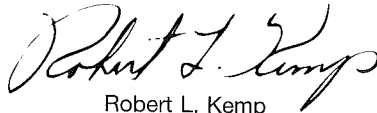
The bond market is enjoying a flight to quality as long term interest rates (10-year Treasury bond) have fallen to 3.52% from 4.58% one year ago. The interest rate on three month Treasury bills declined to 0.56% on March 19, 2008—a 54-year low—and Treasury bills are now yielding 1.20%. Though corporate profits overall are down considerably on account of huge losses in financial institutions, other segments of the economy are growing. Domestic manufacturing, materials, energy, agriculture and service industries are expanding to meet the demands of other developing nations. In fact, U.S. exports were a substantial 16.6% higher in January 2008 than in January 2007.

On March 31, 2008, CGM Focus Fund held significant long positions in the steel, money center banking and independent oil production industries. The Fund's three largest long holdings were United States Steel Corporation, Nucor Corporation (steel) and América Móvil, S.A.B. de C.V. ADR (cellular phone). Approximately 5.4% of the Fund's total net assets were invested in stock sold short at quarter end. The short position was in Washington Mutual, Inc.

The Board of Trustees of CGM Capital Development Fund has proposed a reorganization of CGM Capital Development Fund under which CGM Capital Development Fund will transfer all of its assets to CGM Focus Fund, and CGM Focus Fund will assume all of CGM Capital Development Fund's liabilities. CGM Focus Fund will, in

CGM FOCUS FUND

return for the transfer of assets, issue shares of CGM Focus Fund with an aggregate value equal to the value of the net assets transferred to CGM Focus Fund in the reorganization. These shares will be distributed to CGM Capital Development Fund shareholders. The reorganization is intended to result in no income, gain, or loss for federal income tax purposes to either CGM Focus Fund or its shareholders. The reorganization will occur only if it is approved by the shareholders of CGM Capital Development Fund.



Robert L. Kemp
President

April 1, 2008

INVESTMENT PERFORMANCE

(unaudited)

Total Return for Periods Ended March 31, 2008

	<u>The Fund's Cumulative Total Return</u>	<u>The Fund's Average Annual Total Return</u>
10 Years	+713.6%	+23.3%
5 Years	+382.7	+37.0
1 Year	+ 51.6	+51.6
3 Months	- 7.8	—

The performance data contained in this report represent past performance, which is no guarantee of future results. The table above does not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares and assumes the reinvestment of all Fund distributions. The investment return and principal value of an investment in the Fund will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. The adviser limited the Fund's total operating expenses to 1.20% of its average net assets exclusive of any dividend expense incurred on short sales through December 31, 2001. Otherwise, the Fund's cumulative total return and average annual total return for the ten year period would have been lower.

CGM FOCUS FUND

INVESTMENTS as of March 31, 2008

(unaudited)

COMMON STOCKS — 98.5% OF TOTAL NET ASSETS

	<u>Shares</u>	<u>Value (a)</u>
Aluminum — 6.2%		
Alcoa Inc.	8,270,000	\$ 298,216,200
Aluminum Corporation of China Limited ADR (b)	2,020,000	81,668,600
		<u>379,884,800</u>
Banks – Money Center — 13.0%		
Banco Bradesco S.A. ADR (b)(c)	10,550,000	292,868,000
Banco Itaú Holding Financeira S.A. ADR (b)(c)	11,500,000	261,740,000
Unibanco Holdings S.A. GDR (c)(d)	2,020,000	235,612,800
		<u>790,220,800</u>
Copper — 10.4%		
Freeport-McMoRan Copper & Gold Inc. (e)	3,378,700	325,098,514
Southern Copper Corporation	2,963,700	307,720,971
		<u>632,819,485</u>
Fertilizer — 10.2%		
Potash Corporation of Saskatchewan Inc.	1,978,500	307,082,985
The Mosaic Company (f)	3,060,000	313,956,000
		<u>621,038,985</u>
Food – Agribusiness — 5.0%		
Monsanto Company	2,712,200	302,410,300
		<u>302,410,300</u>
Offshore Drilling — 0.2%		
Nabors Industries Ltd. (f)	300,000	10,131,000
		<u>10,131,000</u>
Oil – Independent Production — 11.4%		
Apache Corporation	705,000	85,178,100
Devon Energy Corporation	2,695,000	281,169,350
Petróleo Brasileiro S.A. – Petrobras ADR (b)(c)(e)	3,187,200	325,444,992
		<u>691,792,442</u>
Oil Service — 7.8%		
Schlumberger Limited (e)	3,490,000	303,630,000
Weatherford International Ltd (f)	2,330,000	168,855,100
		<u>472,485,100</u>
Steel — 24.6%		
ArcelorMittal	4,170,000	341,106,000
Companhia Siderúrgica Nacional ADR (b)(c)	3,950,000	142,160,500
Gerdau S.A. ADR (b)(c)	5,900,000	180,363,000
Mechel OAO ADR (b)	920,000	104,686,800
Nucor Corporation (e)	5,242,500	355,126,950
United States Steel Corporation (e)	2,975,000	377,438,250
		<u>1,500,881,500</u>

CGM FOCUS FUND

INVESTMENTS as of March 31, 2008 (continued)

(unaudited)

COMMON STOCKS (continued)

	Shares	Value (a)
Telephone — 9.7%		
América Móvil, S.A.B. de C.V. ADR (b)	5,400,000	\$ 343,926,000
Open Joint Stock Company "Vimpel-Communications" ADR (b)(e)	4,460,000	133,309,400
Turkcell Iletisim Hizmetleri A.S. ADR (b)	5,600,000	116,984,000
		<u>594,219,400</u>
TOTAL COMMON STOCKS (Identified cost \$5,394,288,192)		<u>5,995,883,812</u>

SHORT-TERM INVESTMENT — 1.5% OF TOTAL NET ASSETS

	Face Amount	
American Express Credit Corporation, 2.25%, 4/01/08 (Cost \$93,655,000)	\$93,655,000	93,655,000
TOTAL INVESTMENTS — 100.0% (Identified cost \$5,487,943,192) (g)		6,089,538,812
Cash and receivables		512,219,281
Liabilities		<u>(515,709,251)</u>
TOTAL NET ASSETS — 100.0%		<u>\$6,086,048,842</u>

- (a) Security valuation — Equity securities are valued on the basis of valuations furnished by a pricing service, authorized by the Board of Trustees. The pricing service provides the last reported sale price for securities listed on a national securities exchange or, in the case of the NASDAQ national market system, the NASDAQ official closing price. For securities with no sale reported and in the case of over-the-counter securities not so listed, the last reported bid price is used for long positions and the last reported ask price for short positions. Short-term investments have a maturity of sixty days or less are stated at amortized cost, which approximates market value. Other assets and securities which are not readily marketable will be valued in good faith at fair value using methods determined by the Board of Trustees.
- (b) An American Depositary Receipt (ADR) is a certificate issued by a U.S. bank representing the right to receive securities of the foreign issuer described. The values of ADRs are significantly influenced by trading on exchanges not located in the United States or Canada.
- (c) The Fund has approximately 24% of its assets at March 31, 2008 invested in companies incorporated in Brazil.
- (d) A Global Depositary Receipt (GDR) is a certificate issued by an international bank representing the right to receive securities of the foreign issuer described. The shares trade as domestic shares but are also offered for sale globally on foreign exchanges. The values of GDRs are significantly influenced by trading on exchanges not located in the United States or Canada.
- (e) A portion of this security has been segregated as collateral in connection with short sale investments. The market value of securities held in a segregated account at March 31, 2008 was \$1,087,799,000 and the value of cash held in a segregated account was \$375,381,761, a portion of which may have been restricted at March 31, 2008.
- (f) Non-income producing security.
- (g) Federal Tax Information: At March 31, 2008, the net unrealized appreciation on investments based on cost of \$5,557,767,514 for Federal income tax purposes was as follows:
- | | |
|--|----------------------|
| Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost . . . | \$755,044,146 |
| Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value . . . | <u>(223,272,848)</u> |
| | <u>\$531,771,298</u> |

The cost basis and unrealized appreciation/ (depreciation) for the schedule of investments and tax purposes differ due to differing treatments of wash sale losses deferred.

CGM FOCUS FUND

INVESTMENTS as of March 31, 2008 (continued)

(unaudited)

SECURITIES SOLD SHORT (Proceeds \$363,237,597)

	Shares	Value (a)
Washington Mutual, Inc.	32,000,000	\$329,600,000
		<u>\$329,600,000</u>

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, (FAS 157) "Fair Value Measurements", effective for fiscal years beginning after November 15, 2007. The Fund adopted the provisions of FAS 157 on January 1, 2008. FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements.

In accordance with FAS 157, CGM Focus Fund may use valuation techniques consistent with the market, income, and cost approach to measure fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts (cash flows, earnings) to a single present amount. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset. To increase consistency and comparability in fair value measurements and related disclosures, CGM Focus Fund utilizes a fair value hierarchy which prioritizes the various inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 — Prices determined using: quoted prices in active markets for identical securities
- Level 2 — Prices determined using: other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)
- Level 3 — Prices determined using: significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect CGM Focus Fund's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available in the circumstances.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value CGM Focus Fund's investments and securities sold short at March 31, 2008:

Valuation Inputs	Assets — Investments in Securities	Liabilities — Securities Sold Short	Other Financial Instruments
Level 1 — Quoted Prices	\$5,995,883,812	\$329,600,000	N/A
Level 2 — Other Significant Observable Inputs	93,655,000	none	N/A
Level 3 — Significant Unobservable Inputs	none	none	N/A
Total	<u>\$6,089,538,812</u>	<u>\$329,600,000</u>	<u>N/A</u>

When current market prices or quotations are not readily available or do not accurately reflect fair value, valuations may be determined in accordance with procedures adopted by the Board of Trustees. For example, when developments occur between the close of a market and the close of the NYSE that may materially affect the value of some or all the securities, or when trading in a security is halted, these procedures may be used. The frequency with which these procedures are used is unpredictable. These valuation procedures may result in a change to a particular security's assigned level within the fair value hierarchy described above. The value of securities used for NAV calculation under these procedures may differ from published prices for the same securities.

CGM FOCUS FUND

TELEPHONE NUMBERS

For information about:

■ Account Procedures and Status

■ Redemptions

■ Exchanges

Call 800-343-5678

■ New Account Procedures

■ Prospectuses

■ Performance

■ Proxy Voting Policies and Voting Records

■ Complete Schedule of Portfolio Holdings for the
1st and 3rd Quarters (as filed on Form N-Q)

Call 800-345-4048

Proxy voting policies also appear in the Fund's Statement of Additional Information, which can be found on the SEC's website, <http://www.sec.gov>. The voting records can also be found on the SEC's website on the Fund's Form N-PX filing.

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

MAILING ADDRESS

CGM Shareholder Services
c/o Boston Financial Data Services
P.O. Box 8511
Boston, MA 02266-8511